



Order 98-12-26
Served Dec 24, 1998

UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 22nd day of December, 1998

Essential Air Service at

KINGMAN AND PRESCOTT, ARIZONA,
ALAMOGORDO/HOLLOMAN AIR FORCE BASE,
NEW MEXICO,
CLOVIS, NEW MEXICO,
and
SILVER CITY/HURLEY/DEMING, NEW MEXICO

under 49 U.S.C. 41731 *et seq.*

Dockets OST-1996-1899

OST-1996-1901
OST-1996-1902
and
OST-1996-1903

ORDER TO SHOW CAUSE

Summary

By this order, the Department is tentatively reselecting Mesa Air Group to provide subsidized basic essential air service at Kingman and Prescott, Arizona, and Alamogordo/Holloman Air Force Base, Clovis, and Silver City/Hurley/Deming, New Mexico, for annual subsidy rates totaling \$3,441,053.

Background

By Order 96-10-39, October 25, 1996, the Department selected Mesa Air Group to provide subsidized essential air service at Kingman, Prescott, Alamogordo/Holloman Air Force Base (Alamogordo), Clovis, and Silver City/Hurley/Deming (Silver City), consisting of ten round trips to Phoenix each week for Kingman and Prescott and ten round trips to Albuquerque each week for the other three points for the period of

September 1, 1996, through September 30, 1998.¹ Mesa served Kingman and Prescott as America West Express; it served the New Mexico points as Mesa Airlines. (See Appendix A for a map of the service area.) By Order 97-8-14, August 14, 1997, the Department authorized pro rata subsidy increases for Mesa based on the rates set by Order 96-10-39 for an additional two round trips each week for each point from August 9, 1997, onward, in order to restore support for statutorily-mandated weekend service. By Order 97-11-9, November 6, 1997, the Department authorized increased subsidy to restore the prior service levels provided by Mesa consisting of 18 Kingman-Phoenix and 24 Prescott-Phoenix round trips each week for \$822,434 annually; 24 Alamogordo-Albuquerque round trips each week for \$656,745 annually; 18 Clovis-Albuquerque round trips each week for \$533,589 annually; and 18 Silver City-Albuquerque round trips each week for \$569,469 annually; for a total of \$2,582,237 annually for these five points through September 30, 1998.

Summary of Air Carrier Proposals

As is our customary procedure, we contacted Mesa when the end of the selection period at the five points was approaching and requested that, if the carrier found that subsidy was necessary for its continued service at the communities, it submit a proposal to the Department. Mesa responded by submitting and negotiating with us a proposal to provide the following service levels (all with 19-passenger Beech 1900 aircraft): 18 one-stop or nonstop Kingman-Phoenix and 18 nonstop Prescott-Phoenix round trips each week for \$865,128; 18 nonstop Alamogordo-Albuquerque round trips each week (or 24 one-stop round trips) for \$777,127 annually; 18 nonstop Clovis-Albuquerque round trips each week for \$926,594 annually; and 18 nonstop Silver City-Albuquerque round trips each week for \$872,204 annually.

The service proposed is the same that Mesa has been providing, except at Prescott, where the carrier proposes to provide three round trips each service day, rather than four, and at Alamogordo, where the carrier has the option of providing three nonstop round trips each service day or continuing the current service pattern of four round trips a day with an intermediate stop permitted between Alamogordo and Albuquerque.

Selection Decision

We have tentatively decided to reselect Mesa to provide essential air service at the five Arizona and New Mexico points for another two-year period. We have reviewed the service and traffic history for these communities and find that the service proposed is reasonable.² We also tentatively find that Mesa's proposed subsidy rates are reasonable.³

Although Mesa has served Alamogordo with four round trips a day, a significant portion of that service has included an intermediate stop that entailed considerable circuitry for

¹ The Department's appropriation for fiscal 1996 was sharply reduced, requiring the Department to support sub-EAS levels of service. Increased funding, starting in fiscal 1998, allowed restoration of pre-1996 service levels.

² See Appendix B for a survey of historical traffic data.

³ Appendix D contains summary calculations of Mesa's compensation requirements.

Alamogordo-Albuquerque passengers. As we stated in Order 97-11-9 that we would, we have reviewed the traffic response to Mesa's service levels in the context of reevaluating the appropriate service guarantees and levels of subsidy support. In particular, we have subjected points for which the Department has been supporting four or more round trips to heightened scrutiny. For example, even at the three-round-trip level, the projected number of passengers at Alamogordo would result in only a 17.2 percent load factor. We note further that, even if Alamogordo succeeds in generating traffic at the historical high level of 9,658 passengers (for the year ended September 30, 1986), the average load factor for three nonstop round trips would be only approximately 44 percent. Hence, we no longer intend to provide subsidy for more than three round trips each day for Alamogordo. (Mesa may, if it wishes, continue providing four round trips with intermediate stop authority at the same total subsidy rate established for three-nonstop-round-trip service, at the payout formula set forth in Appendix D to this order.)

In the case of Prescott, Mesa has also served the community with four round trips, three of which were used also to serve Kingman. As at Alamogordo, we find that the projected traffic does not warrant continued subsidy support for four round trips. The average load factor over the Kingman-Prescott-Phoenix routing implicit in our subsidy calculations is 33.4 percent, and the critical-leg load factor (the sum of the average number of Kingman-Phoenix and Prescott-Phoenix passengers per flight divided by 19 available seats) is 51.6 percent.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing, and able to provide service before we may subsidize it for essential air service. We last found Mesa Air Group fit to provide scheduled passenger service as a certificated air carrier by Order 97-9-14, September 12, 1997, when we selected it to provide subsidized service at Massena, Ogdensburg, and Watertown, New York. The Department has routinely monitored the carrier's continuing fitness, and based on our review of its most recent submissions, we find that Mesa continues to have available adequate financial and managerial resources to establish and maintain quality service at Kingman, Prescott, Alamogordo, Clovis, and Silver City, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason that we should not find that Mesa remains fit.

Response to Tentative Proposal

As usual, we will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Mesa to provide essential air service at Kingman, Prescott, Alamogordo, Clovis, and Silver City at the subsidy rates discussed above. If no timely objections or competing proposals are filed this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague, or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁴ Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

This order is issued under authority delegated in 49 CFR 1.56a(f).

⁴ The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing 31 U.S.C. 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

ACCORDINGLY

1. The Department directs all interested persons to show cause within 20 days from the date of service of this order why it should not reselect Mesa Air Group to provide basic essential air service at Kingman and Prescott, Arizona, and Alamogordo/Holloman Air Force Base, Clovis, and Silver City/Hurley/Deming, New Mexico, as described in Appendix D to this order, for the period of October 1, 1998, through September 30, 2000;

2. The Department tentatively sets the final rates of compensation for Mesa Air Group for the provision of essential air service at Kingman and Prescott, Arizona, and Alamogordo/Holloman Air Force Base, Clovis, and Silver City/Hurley/Deming, New Mexico, for the period of October 1, 1998, through September 30, 2000, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rates set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible departures performed during the week ⁵ by the following rates: ⁶

Kingman:	\$235.09
Prescott:	\$235.09
Alamogordo/Holloman Air Force Base (A): ⁷	\$422.35
Alamogordo/Holloman Air Force Base (B): ⁸	\$316.58
Clovis:	\$503.58
Silver City/Hurley/Deming:	\$474.02

3. If competing proposals are timely filed, the final rates established for Mesa Air Group in ordering paragraph (2), above, shall be effective from October 1, 1998, until further Department action;

4. We will afford full consideration to the matters and issues raised in any timely and properly filed service proposals before we take further action. If no competing proposals are filed, all further procedural steps will be deemed to have been waived, and the carrier selection tentatively made by this order shall become effective on the twenty-first day after the date of service of this order;

5. The Department directs Mesa Air Group to retain all books, records, and other source and summary documentation to support subsidy claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit

⁵ Subsidy-eligible departures are defined as each arrival from and departure to the hub from the essential air service point. In the case of Kingman and Prescott, subsidy-eligible departures are to be calculated separately for each point, even though the carrier proposes to serve both points on the same linear routing to Phoenix.

⁶ See Appendix D for calculations.

⁷ Three nonstop round trip service.

⁸ Four round trip service with intermediate stop authority.

and examination thereof by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

6. We find that Mesa Air Group continues to be fit, willing, and able to operate as an air carrier and capable of providing essential air service at Kingman and Prescott, Arizona, and Alamogordo/Holloman Air Force Base, Clovis, and Silver City/Hurley/Deming, New Mexico;

7. Dockets OST-1996-1899, OST-1996-1901, OST-1996-1902, and OST-1996-1903 shall remain open until further order of the Department; and

8. We will serve a copy of this order on the Governors of Arizona and New Mexico; the Aeronautics Division of the Arizona Department of Transportation; the New Mexico State Highway & Transportation Department; the Mayors and Airport Managers of Kingman, Prescott, Alamogordo, Clovis, Silver City, Hurley, and Deming; the Commanding Officer, Holloman Air Force Base; Mesa Air Group; and the air carriers listed in Appendix E.

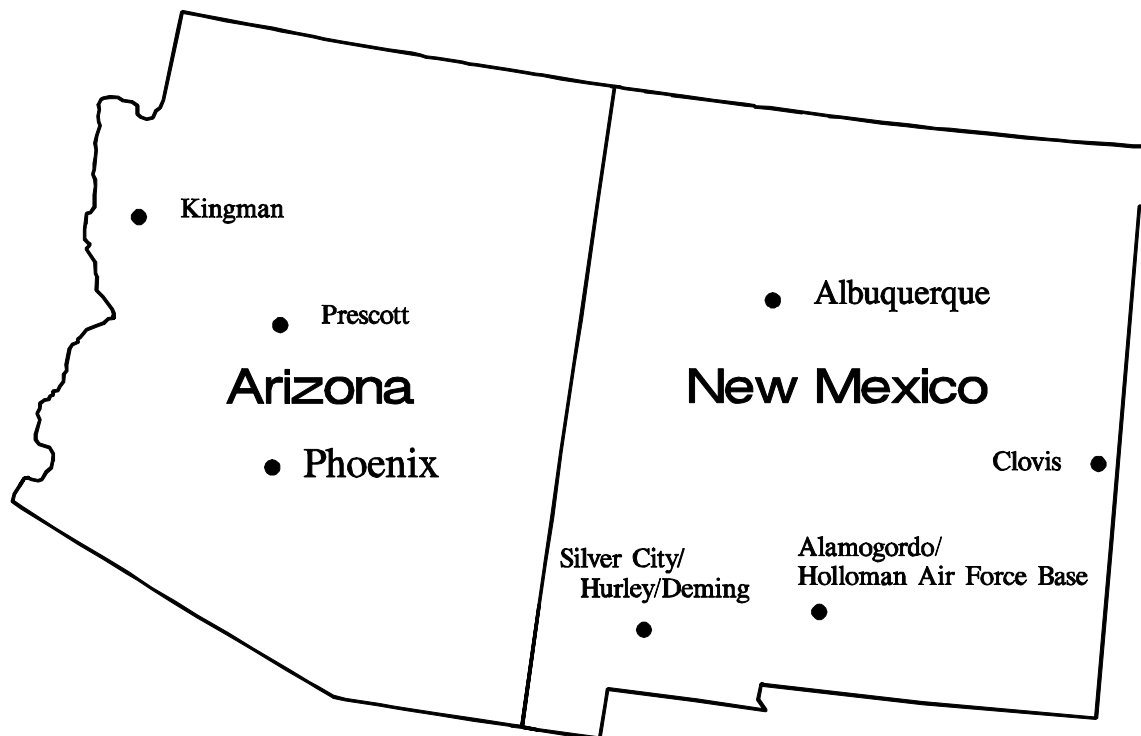
By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electric version of this document is available on the World Wide Web at
<http://dms.dot.gov/>*

The electronic version may not include all of the appendices.



Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Kingman, Arizona

Four quarters <u>ended</u>	Origin- destination <u>passengers</u> ¹	Average annual <u>enplanements</u> ²	Average enplanements <u>per service day</u> ³
12/31/90	4,607	2,304	7.4
12/31/91	3,799	1,900	6.1
12/31/92	5,682	2,841	9.0
12/31/93	6,545	3,272	10.5
12/31/94	6,705	3,352	10.7
12/31/95	5,357	2,678	8.6
12/31/96	3,031	1,516	4.8
12/31/97	3,420	1,710	5.5

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Prescott, Arizona

Four quarters <u>ended</u>	Origin- destination <u>passengers</u> ⁴	Average annual <u>enplanements</u>	Average enplanements <u>per service day</u>
12/31/90	19,198	9,599	30.7
12/31/91	11,075	5,538	17.7
12/31/92	19,018	9,509	30.3
12/31/93	25,050	12,525	40.0
12/31/94	25,443	12,722	40.6
12/31/95	23,319	11,660	37.3
12/31/96	20,303	10,152	32.3
12/31/97	17,456	8,728	27.9

¹ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1 (through 6/30/95, and from 9/30/97 onward) or T-100 on-flight market origin-destination passengers.

² Origin-destination passengers divided by two.

³ Average annual enplanements divided by 313 effective annual service days, except for the four quarters ended 12/31/92 and 12/31/96 (314 effective annual service days to reflect leap years).

⁴ Traffic data reflect service at Prescott by Mesa from CY 1990, onward, plus service by Arizona Pacific Airways from the fourth quarter of 1991 through the first quarter of 1994.

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Alamogordo/Holloman Air Force Base, New Mexico

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁵	<u>Average annual enplanements</u> ⁶	<u>Average enplanements per service day</u> ⁷
12/31/90	4,580	2,290	7.3
12/31/91	4,403	2,202	7.0
12/31/92	5,503	2,752	8.8
12/31/93	6,844	3,422	10.9
12/31/94	8,030	4,015	12.8
12/31/95	7,163	3,582	11.4
12/31/96	6,186	3,093	9.9
12/31/97	6,357	3,178	10.2

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Clovis, New Mexico

<u>Four quarters ended</u>	<u>Origin- destination passengers</u>	<u>Average annual enplanements</u>	<u>Average enplanements per service day</u>
12/31/90	5,620	2,810	9.0
12/31/91	5,213	2,606	8.3
12/31/92	7,093	3,546	11.3
12/31/93	8,320	4,160	13.3
12/31/94	9,544	4,772	15.2
12/31/95	9,180	4,590	14.7
12/31/96	7,219	3,610	11.5
12/31/97	7,312	3,656	11.7

⁵ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1 (through 6/30/95, and from 9/30/97 onward) or T-100 on-flight market origin-destination passengers.

⁶ Origin-destination passengers divided by two.

⁷ Average annual enplanements divided by 313 effective annual service days, except for the four quarters ended 12/31/92 and 12/31/96 (314 effective annual service days to reflect leap years).

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Silver City/Hurley/Deming, New Mexico

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁸	<u>Average annual enplanements</u> ⁹	<u>Average enplanements per service day</u> ¹⁰
12/31/90	4,397	2,198	7.0
12/31/91	3,912	1,956	6.2
12/31/92	4,723	2,362	7.5
12/31/93	5,969	2,984	9.5
12/31/94	7,000	3,500	11.2
12/31/95	6,084	3,042	9.7
12/31/96	3,867	1,934	6.2
12/31/97	4,686	2,343	7.5

⁸ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1 (through 6/30/95, and from 9/30/97 onward) or T-100 on-flight market origin-destination passengers.

⁹ Origin-destination passengers divided by two.

¹⁰ Average annual enplanements divided by 313 effective annual service days, except for the four quarters ended 12/31/92 and 12/31/96 (314 effective annual service days to reflect leap years).

Mesa Air Group
Provision of Basic Essential Air Service at Kingman and Prescott, Arizona
Calculation of Compensation Requirement

Total estimated annual block hours	2,300
Total estimated annual revenue passenger-miles	2,138,730
Total estimated annual departures	3,680
Total estimated annual available seat-miles	6,397,680

Operating revenue:				Route
Passenger revenue:	<u>Passengers</u>	<u>Average fare</u>	<u>Revenue</u>	<u>mileage</u>
PRC-PHX	12,300	\$53.54	\$658,542	87
IGM-PHX	5,722	\$87.03	497,986	183
IGM-PRC	<u>224</u>	\$46.36	<u>10,385</u>	96
	18,246		\$1,166,913	

Other revenue	\$1,166,913	0.01	<u>11,669</u>
Total operating revenue			\$1,178,582

Operating expense:	<u>Unit rate</u>	<u>Units</u>	<u>Expense</u>
Direct operating expense:			
Flying operations	\$100.48	2,300	\$231,104
Fuel and oil	\$88.28	2,300	203,044
Other flight operations	\$16.57	2,300	38,111
Maintenance	\$176.52	2,300	405,996
Aircraft ownership	\$126.01	2,300	<u>289,823</u>
Total direct operating expense	\$507.86		\$1,168,078

Indirect operating expense:			
Traffic-related	\$0.0461	2,138,730	\$98,595
Local advertising			10,000
Departure-related	\$150.00	3,680	552,000
ASM-related	\$0.0184	6,397,680	<u>117,717</u>
Total indirect operating expense			<u>\$778,312</u>

Total operating expense			<u>\$1,946,390</u>
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Operating loss			\$767,808
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Profit element	0.05	\$1,946,390	\$97,320
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Compensation requirement			<u>\$865,128</u>
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Mesa Air Group
Provision of Basic Essential Air Service at
Alamogordo/Holloman Air Force Base, New Mexico
Calculation of Compensation Requirement

Total estimated annual block hours	1,533
Total estimated annual revenue passenger-miles	936,000
Total estimated annual departures	1,840
Total estimated annual available seat-miles	5,453,760

Operating revenue:				Route
Passenger revenue:	<u>Passengers</u>	<u>Average fare</u>	<u>Revenue</u>	<u>mileage</u>
ALM-ABQ	6,000	\$80.21	\$481,260	156
Other revenue	\$481,260	0.01	<u>4,813</u>	
Total operating revenue			\$486,073	

Operating expense:	<u>Unit rate</u>	<u>Units</u>	<u>Expense</u>
Direct operating expense:			
Flying operations	\$100.48	1,533	\$154,036
Fuel and oil	\$88.28	1,533	135,333
Other flight operations	\$16.57	1,533	25,402
Maintenance	\$176.52	1,533	270,605
Aircraft ownership	\$126.01	1,533	<u>193,173</u>
Total direct operating expense	\$507.86		\$778,549

Indirect operating expense:			
Traffic-related	\$0.0461	936,000	\$43,150
Local advertising			5,000
Departure-related	\$150.00	1,840	276,000
ASM-related	\$0.0184	5,453,760	<u>100,349</u>
Total indirect operating expense			<u>\$424,499</u>

Total operating expense \$1,203,048

Operating loss \$716,975

Profit element 0.05 \$1,203,048 \$60,152

Compensation requirement \$777,127

Mesa Air Group
Provision of Basic Essential Air Service at Clovis, New Mexico
Calculation of Compensation Requirement

Total estimated annual block hours	1,840
Total estimated annual revenue passenger-miles	1,230,000
Total estimated annual departures	1,840
Total estimated annual available seat-miles	7,166,800

Operating revenue:				Route
Passenger revenue:	<u>Passengers</u>	<u>Average fare</u>	<u>Revenue</u>	<u>mileage</u>
CVN-ABQ	6,000	\$90.37	\$542,220	205
Other revenue	\$542,220	0.01	<u>5,422</u>	
Total operating revenue			\$547,642	

Operating expense:	<u>Unit rate</u>	<u>Units</u>	<u>Expense</u>
Direct operating expense:			
Flying operations	\$100.48	1,840	\$184,883
Fuel and oil	\$88.28	1,840	162,435
Other flight operations	\$16.57	1,840	30,489
Maintenance	\$176.52	1,840	324,797
Aircraft ownership	\$126.01	1,840	<u>231,858</u>
Total direct operating expense	\$507.86		\$934,462

Indirect operating expense:			
Traffic-related	\$0.0461	1,230,000	\$56,703
Local advertising			5,000
Departure-related	\$150.00	1,840	276,000
ASM-related	\$0.0184	7,166,800	<u>131,869</u>
Total indirect operating expense			<u>\$469,572</u>

Total operating expense \$1,404,034

Operating loss \$856,392

Profit element 0.05 \$1,404,034 \$70,202

Compensation requirement \$926,594

Mesa Air Group
Provision of Basic Essential Air Service at Silver City/Hurley/Deming, New Mexico
Calculation of Compensation Requirement

Total estimated annual block hours	1,687
Total estimated annual revenue passenger-miles	1,028,736
Total estimated annual departures	1,840
Total estimated annual available seat-miles	6,572,480

Operating revenue:				Route
Passenger revenue:	<u>Passengers</u>	<u>Average fare</u>	<u>Revenue</u>	<u>mileage</u>
SVC-ABQ	5,472	\$90.29	\$494,067	188
Other revenue	\$494,067	0.01	<u>4,941</u>	
Total operating revenue			\$499,008	

Operating expense:	<u>Unit rate</u>	<u>Units</u>	<u>Expense</u>
Direct operating expense:			
Flying operations	\$100.48	1,687	\$169,470
Fuel and oil	\$88.28	1,687	148,893
Other flight operations	\$16.57	1,687	27,947
Maintenance	\$176.52	1,687	297,719
Aircraft ownership	\$126.01	1,687	<u>212,528</u>
Total direct operating expense	\$507.86		\$856,557

Indirect operating expense:			
Traffic-related	\$0.0461	1,028,736	\$47,425
Local advertising			5,000
Departure-related	\$150.00	1,840	276,000
ASM-related	\$0.0184	6,572,480	<u>120,934</u>
Total indirect operating expense			<u>\$449,359</u>

Total operating expense \$1,305,916

Operating loss \$806,908

Profit element 0.05 \$1,305,916 \$65,296

Compensation requirement \$872,204

Mesa Air Group
Basic Essential Air Service To Be Provided at Kingman and Prescott, Arizona,
and Alamogordo/Holloman Air Force Base, Clovis, and
Silver City/Hurley/Deming, New Mexico

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of this order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirement at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Mesa Air Group
Basic Essential Air Service To Be Provided at Kingman and Prescott, Arizona

Effective period: October 1, 1998, through September 30, 2000

Service: 18 round trips each week to Phoenix.

Intermediate stops and upline service:	Prescott:	Nonstop to Phoenix. No upline limitations.
	Kingman:	One-stop (at Prescott) or nonstop to Phoenix. No upline limitations.

Aircraft type: Beech 1900 (19 passenger seats).

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation,

Annual compensation: \$865,128 for both points combined.

Subsidy rate for each point for each arrival from or departure to Phoenix: \$235.09 ¹

Weekly compensation ceiling for each point: ² \$8,463.24 ³

¹ Annual compensation of \$865,128 (from Appendix C), divided by two (to summarily allocate an amount to each point), divided further by the number of departures estimated to be performed annually (1,840 departures, calculated by multiplying six departures each service day by 313 annual service days (counting each weekend as one service day), and multiplying further by 98 percent completion).

² Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

³ The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (36).

Mesa Air Group
Basic Essential Air Service To Be Provided at
Alamogordo/Holloman Air Force Base, New Mexico

Effective period: October 1, 1998, through September 30, 2000

Service: (A) 18 nonstop round trips each week to Albuquerque, or
(B) 24 nonstop or one-stop round trips each week to Albuquerque. ⁴

Intermediate stops and upline service: (A) Nonstop to Albuquerque with no upline limitations.
(B) One-stop (at Las Cruces) or nonstop to Albuquerque, with no upline limitations.

Aircraft type: Beech 1900 (19 passenger seats)

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation.

Annual compensation: \$777,127

Subsidy rate for each arrival from or departure to Albuquerque: (A) \$422.35 ⁵
(B) \$316.68 ⁶

Weekly compensation ceiling: ⁷ (A) \$15,204.60 ⁸
(B) \$15,200.64 ⁹

⁴ Option (B) assumes operation of the mix of four nonstop and one-stop round trips each service day contemplated by Order 97-11-9, at the carrier's option, at the same total annual subsidy rate set for the operation of three nonstop round trips each service day.

⁵ Annual compensation of \$777,127 (from Appendix C), divided by the number of departures estimated to be performed annually (1,840 departures, calculated by multiplying six departures each service day by 313 annual service days (counting each weekend as one service day), and multiplying further by 98 percent completion).

⁶ Annual compensation of \$777,127 (from Appendix C), divided by the number of departures estimated to be performed annually (2,454 departures, calculated by multiplying eight departures each service day by 313 annual service days (counting each weekend as one service day), and multiplying further by 98 percent completion).

⁷ Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

⁸ The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (36).

⁹ The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (48).

Mesa Air Group
Basic Essential Air Service To Be Provided at Clovis, New Mexico

Effective period: October 1, 1998, through September 30, 2000

Service: 18 round trips each week to Albuquerque.

Intermediate stops and upline service: Nonstop to Albuquerque.
No upline limitations.

Aircraft type: Beech 1900 (19 passenger seats).

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation,

Annual compensation: \$926,594.

Subsidy rate for each arrival from or departure to Albuquerque: \$503.58 ¹⁰

Weekly compensation ceiling: ¹¹ \$18,128.88 ¹²

¹⁰ Annual compensation of \$926,594 (from Appendix C), divided by the number of departures estimated to be performed annually (1,840 departures, calculated by multiplying six departures each service day by 313 annual service days (counting each weekend as one service day), and multiplying further by 98 percent completion).

¹¹ Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

¹² The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (36).

Mesa Air Group
Basic Essential Air Service To Be Provided at
Silver City/Hurley/Deming, New Mexico

Effective period: October 1, 1998, through September 30, 2000

Service: 18 round trips each week to Albuquerque.

Intermediate stops and upline service: Nonstop to Albuquerque.
No upline limitations.

Aircraft type: Beech 1900 (19 passenger seats).

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation,

Annual compensation: \$872,204.

Subsidy rate for each arrival from or departure to Albuquerque: \$474.02 ¹³

Weekly compensation ceiling: ¹⁴ \$17,064.72 ¹⁵

¹³ Annual compensation of \$872,204 (from Appendix C), divided by the number of departures estimated to be performed annually (1,840 departures, calculated by multiplying six departures each service day by 313 annual service days (counting each weekend as one service day), and multiplying further by 98 percent completion).

¹⁴ Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

¹⁵ The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (36).

Service List for the State of Arizona

Air L.A., Inc.
Air Midwest, Inc.
Air Nevada Airlines, Inc.
Air Transport, Inc.
Air Vegas, Inc.
Alpha Air
Alpine Aviation, Inc.
Amerijet International, Inc.
Arizona Airways, Inc.
Arizona Pacific Airlines, Inc.
Aviation Services West, Inc.
Balter Worldwide Corporation
Barken International, Inc.
Delta Connection
Grand Canyon Airlines, Inc.
Great Lakes Aviation, Ltd.
Martin Aviation, Inc.
Mesa Airlines, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Northwest Airlink
Pacific Air West, Inc.
Redtail Aviation
Renown Aviation, Inc.
Sierra Nevada Airways, Inc.
Skywest Airlines, Inc.
WestAir Commuter Airlines, Inc.
Wings West Airlines, Inc.
World Airways, Inc.

Ken Bannon
E.B. Freeman
Ben Harrison
A. Edward Jenner
John McFarlane
Andy Pike
Kevin Thomas

Service List for the State of New Mexico

ACT International Airlines, Inc.	Ken Bannon
Aero Freight, Inc.	Nathaniel P. Breed
Air L.A., Inc.	E.B. Freeman
Air Midwest, Inc.	Ben Harrison
Air Transport, Inc.	A. Edward Jenner
Amerijet International, Inc.	Keith Kahle
Arizona Airways, Inc.	Helen McCoy
Arizona Pacific Airlines, Inc.	John McFarlane
Aspen Airways, Inc.	Andy Pike
Barken International, Inc.	Richard A. Raymer
Blue Ridge Airlines	William C. Seigler
Conquest Airlines Corporation	Andrew Spinks
Delta Connection	Kevin Thomas
Exec Express II, Inc.	Larry Tiffin
Laredo Air, Inc.	
Lone Star Airlines, Inc.	
Mesa Airlines, Inc.	
Metro Express II, Inc.	
Metroflight, Inc.	
Midway Airlines, Inc.	
Midwest Express Airlines, Inc.	
Northwest Airlink	
Pacific Air West, Inc.	
Redtail Aviation	
Renown Aviation, Inc.	
Rocky Mountain Helicopters, Inc.	
Skywest Airlines, Inc.	
Texas National Airlines, Inc.	
Wings West Airlines, Inc.	